

AMENDED STATEMENT OF REASONS
TITLE 13, DIVISION 1, CHAPTER 1
ARTICLE 4.7 – SCHOOLS FOR TRAFFIC VIOLATORS

The Department of Motor Vehicles (department) proposes to amend its regulatory action adopting fees related to the Traffic Violator School (TVS) Program.

The initially proposed language adopting fees was submitted to the Office of Administrative Law (OAL) and published on March 4, 2011 under OAL File Number 2011-0222-01. The comment period ended 45 days later on April 18, 2011. The final rulemaking documents were prepared and submitted to OAL on May 27, 2011.

After OAL made its initial review, it was determined that the proposed text contained points that needed additional clarification.

Identifying Usage of Fees

In this amended statement of reasons, the department explains the necessity and use of all fees prescribed. This measure will ensure that the affected public and interested parties are aware of how the fees are being utilized and affirm that payment of TVS licenses are fees and not taxes.

Deleting Outdated Fees

A second point of clarification will be made to current sections that identify fees inconsistent with those fees being prescribed in the adoption of Section 345.00 of Article 4.7. For instance, the proposed adoption of Section 345.000(a)(1) requires an application fee of \$200.00 for an original TVS owner license; however, current Section 345.02(d) provides an application fee of \$150. The initially proposed language, failed to conform Section 345.02 by striking out the fee of \$150. This action will add all current sections that prescribe inaccurate fees and identify those inaccurate fees with strikeouts.

NOTE: All amendments contained in Sections 345.02, 345.04, 345.15, 345.18, 345.20, 345.22, 345.23, and 345.26 below are superseded by those amendments provided in OAL File Number 2011-0425-01 (Application/Curriculum Requirements), published on May 6, 2011, and made available on the department's internet website at <http://www.dmv.ca.gov/about/lad/regactions.htm>.

Due to the fact that there will be a small amount of time between the date this fee action is operative and the date that the application and curriculum standards are operative, these modifications are necessary to ensure the regulations cataloged in Article 4.7 are accurate until approval of the application and curriculum standards identified as OAL File Number 2011-0425-01.

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Subsection (a)(1) prescribes an original application fee of \$200 for a TVS owner. The actual cost to the department to process an original TVS owner application is \$217.00 and is attributed largely to the personnel costs associated with the approval process. As identified in the table below, the costs associated with the original application fee do not cover the total costs of the application review process; however, the department believes it will begin to see efficiencies once the TVS program is operational and the review process becomes more streamlined.

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|----------------------|---------------------|----------------------|-----------------|----------------|--------------|----------------|
| Owner | | | | | | |
| Original Application | \$150.00 | \$217.00 | \$200.00 | 200 | \$43,400.00 | \$40,000.00 |

Subsection (a)(2) prescribes an application fee of \$100 for each TVS branch or classroom location. The actual cost to the department to approve a branch or classroom location is \$120 and is attributed to personnel costs associated with the review of leases, local requirements and, to a lesser extent, inspection of facilities. As identified in the table below, the fees collected for a branch or classroom location do not cover the total cost to the department to approve a location; however, the department believes it will begin to see efficiencies once the TVS program is operational and the review process becomes more streamlined.

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|-----------------|---------------------|----------------------|-----------------|----------------|--------------|----------------|
| Owner | | | | | | |
| Branch License | \$70.00 | \$120.00 | \$100.00 | 75 | \$9,000.00 | \$7,500.00 |

Subsection 345.00(a)(3) prescribes a fee of \$200 when an ownership change requires a new application to be submitted to the department. When a TVS changes ownership the department is required to verify all aspects of the application, as it does when a new TVS owner license application is received.

Subsection 345.00(a)(4) prescribes an annual renewal fee of \$100 for a TVS owner. Costs to the department are largely related to the bond verification and processing, as bonding companies issue new bonds annually. This is also an important reason for the move from a two-year to a one-year license. The department must ensure that all TVS schools have the proper bonds in place.

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| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|---------------------|---------------------|----------------------|-----------------|----------------|--------------|----------------|
| Owner | | | | | | |
| Renewal Application | \$50.00 | \$168.00 | \$100.00 | 455 | \$76,440.00 | \$45,500.00 |

Subsection (b)(1) prescribes a fee of \$475 for the department to review a lesson plan that will be used in a classroom setting. Currently, the department does not collect a fee for the review of a lesson plan; however, the provisions of AB 2499 authorize the department to set fees in an amount sufficient to offset the costs of administering the TVS program. The processing cost of \$670 is based on the average cost to the department of reviewing a classroom-based lesson plan and is primarily due to the personnel costs associated with that review. Approximately 70% of lesson plans submitted require a second or subsequent review. In an effort to minimize the costs for new businesses, the department review will be limited to two reviews and the fee is adjusted accordingly to \$475.

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|-------------------|---------------------|----------------------|-----------------|----------------|--------------|----------------|
| Curriculum | | | | | | |
| Classroom | N/A | \$670.00 | \$475.00 | 6 | \$4,020.00 | \$2,850.00 |

Subsection (b)(2) and (b)(3) prescribe a fee of \$800 for the department to review a lesson plan that will be used for home study or online instruction. These fees are based on information provided by Court Assistance Programs, who are currently tasked with reviewing home study and online TVS programs, and have accounted for a total cost of \$1,188 to review a lesson plan. As with classroom courses, the department's review will be limited to two reviews and the fee will be adjusted accordingly to \$800 for two reviews.

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|---------------------|---------------------|----------------------|-----------------|----------------|--------------|----------------|
| Curriculum | | | | | | |
| Internet/Home Study | N/A | \$1,188.00 | \$800.00 | 200 | \$237,600.00 | \$160,000.00 |

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Subsection (b)(4) prescribes a fee of \$25 that will allow the department to validate the authority for a program to use an already approved lesson plan.

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|------------------------------|--------------|---------------|----------|---------|------------|------------|
| Curriculum | | | | | | |
| Validation of purchased plan | N/A | \$25.00 | \$25.00 | 128 | \$3,200.00 | \$3,200.00 |

Subsection (b)(5) prescribes a fee of \$250 to review an updated curriculum. Fees collected to review and updated curriculum is applied towards the personnel costs used to conduct the review.

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|---------------------------|--------------|---------------|----------|---------|------------|------------|
| Curriculum | | | | | | |
| Update review of courses. | N/A | \$395.00 | \$250.00 | 25 | \$9,875.00 | \$6,250.00 |

Subsection (b)(6) is amended for clarity to ensure the applicant is fully aware that a second curriculum review will be at no additional cost.

Subsection (c)(1) prescribes an original application fee of \$100 for a TVS operator. The actual personnel cost to the department to verify an operator application is \$140. The department believes lost revenue will be made up through processing efficiencies when the TVS system becomes streamlined. The actual cost and revenue information for an original TVS operator license is as follows:

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|------------------------|--------------|---------------|----------|---------|-------------|------------|
| Operator (only) | | | | | | |
| Original Application | \$100.00 | \$140.00 | \$100.00 | 74 | \$10,360.00 | \$7,400.00 |

Subsection (c)(1) also repeals the exception when a person applying for operator licensure is also an owner. This repeal is for clarity.

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Subsection (c)(1)(A) is adopted to ensure clarity for an applicant who is a TVS school owner applying for licensure as an operator. The original regulations only spoke to those who are seeking licensure only as an operator. This subsection is necessary to ensure an operator/owner is aware that the fee for owner licensure covers that of the operator licensure.

Subsection (c)(2) prescribes an annual renewal fee of \$75 for TVS operators. As explained in subsection (c)(1), the department believes it will begin to recoup costs once the TVS process becomes more streamlined. The actual cost and revenue information for an annual renewal of a TVS operator license is as follows:

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|------------------------|--------------|---------------|----------|---------|-------------|-------------|
| Operator (only) | | | | | | |
| Renewal Application | \$50.00 | \$120.00 | \$75.00 | 325 | \$39,000.00 | \$24,375.00 |

Subsection (c)(2) also repeals the exception when a person applying for operator licensure is also an owner. This repeal is for clarity.

Subsection (c)(2)(A) is adopted to ensure clarity for an applicant who is a TVS school owner applying to renew his or her license as an operator. The original regulations only spoke to those who are applying for licensure only as an operator. This subsection is necessary to ensure an operator/owner is aware that the fee for owner licensure covers that of the operator licensure.

Subsection (c)(3) prescribes a fee of \$16 for administering the exam required by Vehicle Code section 11202.5. There is no change to this fee and the costing information related to the fee is as follows:

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|------------------------|--------------|---------------|----------|---------|------------|------------|
| Operator (only) | | | | | | |
| Operator Test | \$16.00 | \$16.00 | \$16.00 | 100 | \$1,600.00 | \$1,600.00 |

Subsection (c)(3) is also amended for clarity by adding the subsection when citing Vehicle Code section 11202.5. By citing the subsection, the applicant is aware that the \$16 fee is for the departmental examination designed to test knowledge of traffic laws, safe driving practices, operation of motor vehicles, teaching methods and techniques, traffic violator

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school statutes and regulations and office procedures and recordkeeping, as specified in Vehicle Code section 11202.5(a)(2).

Subsection (d)(1) and (d)(2) prescribe an original application fee and annual renewal fee of \$50 for TVS instructors. The actual personnel cost to the department to verify information provided in the original application process is \$60 and the cost to verify renewal information is \$147. The department believes it will begin to recoup costs once the TVS program is operative and the process becomes more streamlined. Current costing documentation for an original and renewal instructor license are as follows:

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|--------------------------|---------------------|----------------------|-----------------|----------------|--------------|----------------|
| Instructor (only) | | | | | | |
| Original Application | \$30.00 | \$60.00 | \$50.00 | 375 | \$22,500.00 | \$18,750.00 |
| Renewal Application | \$30.00 | \$147.00 | \$50.00 | 429 | \$63,063.00 | \$21,450.00 |

Subsection (d)(3) prescribes a fee of \$16 for the examination provided by Vehicle Code section 11206. This fee is not changing from its current setting of \$16.

Subsection (e)(1) prescribes a fee of \$100 when a license is required to be modified due to a firm name change, change in corporate structure or when adding a TVS branch or classroom location. The current fee is \$70; however, the department is currently expending \$161 to verify the modification. The costs associated with an application for modification is as follows:

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|----------------------|---------------------|----------------------|-----------------|----------------|--------------|----------------|
| Owner | | | | | | |
| License Modification | \$70.00 | \$161.00 | \$100.00 | 411 | \$66,171.00 | \$41,100.00 |

Subsection (e)(2) prescribes a fee of \$50 when an operator license is required to be modified due to a name change in the employing school. The current fee for a modified operator license is \$15; however, the cost for the department to verify information related to a modified or lost operator license is \$110. Cost information related to modified operator license fees is as follows:

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| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|------------------------|---------------------|----------------------|-----------------|----------------|--------------|----------------|
| Operator (only) | | | | | | |
| License Modification | \$15.00 | \$110.00 | \$50.00 | 57 | \$6,270.00 | \$2,850.00 |

Subsection (e)(2) is amended to delete the reference to an original license being lost, stolen or mutilated. As written, a replacement license would cost an applicant \$50. In reality, a replacement card continues to be \$15. This provision is adopted in subsection (e)(6).

Subsection (e)(3) prescribes a fee of \$25 when submitting an application to alter an instructor license due to a name change in the employing school. The current fee for modifying an instructor license is \$15; however, the cost to the department to verify information provided on the modification application is \$50. Costing associated with a modified instructor license is as follows:

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|--------------------------|---------------------|----------------------|-----------------|----------------|--------------|----------------|
| Instructor (only) | | | | | | |
| License Modification | \$15.00 | \$50.00 | \$25.00 | 275 | \$13,750.00 | \$6,875.00 |

Subsection (e)(3) is amended to delete the reference to an original license being lost, stolen or mutilated. As written, a replacement license would cost an applicant \$50. In reality, a replacement card continues to be \$15. This provision is adopted in subsection (e)(6).

Subsection (e)(4) prescribes a fee of \$50 to transfer an operator license from one school to another. As the verification processes to transfer a license and to modify a license are similar, the department has determined that similar fees are applicable.

Subsection (e)(5) prescribes a fee of \$25 to transfer an instructor license from one school to another. As the verification processes to transfer a license and to modify a license are similar, the department has determined that similar fees are applicable.

Subsection (e)(6) is adopted to identify the fee of a replacement owner, operator, or instructor license as \$15. The fee is currently \$15; however, regulations are necessary to ensure clarity.

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Subsection (g) prescribes an administrative fee of \$3 to be assessed by the court of jurisdiction and transmitted to the department when a traffic violator is referred to a TVS by a court. Below are the costs associated with the processing of the administrative fee:

| Fee Type | Current Fees | Process Costs | New Fees | Volumes | Costs | Revenue |
|--|--------------|---------------|----------|-----------|----------------|----------------|
| Administrative fee | | | | | | |
| Fee collected by the court to cover monitoring | N/A | \$3.03 | \$3.00 | 1,200,000 | \$3,636,000.00 | \$3,600,000.00 |

| | |
|----------------------------------|-------------|
| Estimated DMV costs of | \$1,329,000 |
| Estimated number of TVS students | 1,200,000 |
| Estimated revenue of | \$3,600,000 |

Subsection (i) is repealed due to lack of necessity.

NOTE: All amendments contained in Sections 345.02, 345.04, 345.15, 345.18, 345.20, 345.22, 345.23, and 345.26 below are superseded by those amendments provided in OAL File number 2011-0425-01, published on May 6, 2011, and made available on the department's internet website at <http://www.dmv.ca.gov/about/lad/regactions.htm>.

There will be a small amount of time between the date this fee action is operative and the date that the application and curriculum standards are operative. These modifications are made to ensure the regulations cataloged in Article 4.7 are accurate until approval of the application and curriculum standards identified as OAL File Number 2011-0425-01.

§345.02. Traffic Violator School Owner.

Subsection (d) is amended to repeal the monetary fee amount currently identified. The fee for an original TVS owner license is provided in Section 345.00(a)(1) and will be in the amount of \$200.

Subsection (e)(4) is amended to repeal the monetary fee amount currently identified. The fee for each TVS branch or classroom location is provided in Section 345.00(a)(2) and will be in the amount of \$100.

§345.04. Traffic Violator School Operator.

Subsection (h)(1) is amended to cite Section 345.00 of this Article when referencing the application fee that is to be submitted at the time of application.

Subsections (h)(1)(A) through (F) are repealed due to lack of necessity. Licenses will no longer be issued for the terms currently provided in these subsections.

§345.15. Additional Branch Offices and Classroom Locations.

Subsection (a)(3) is amended to repeal the monetary fee amount currently identified. The fee for branch locations is provided in Section 345.00(a)(2) and will be in the amount of \$100.

§345.18. Changes to Owner License.

Subsection (a)(3)(C) is amended to repeal the fee amount currently identified.

§345.20. Renewal of Operator License.

Subsection (a) is amended to delete the two-year license provision and replace it with a one year license. The switch from a two-year to a one-year license is necessary as an operator's license is required to expire at the same time that the associated owner's license expires.

Subsection (a) is amended to delete the renewal fee currently identified as \$100. The cost to the department to process a renewal of an operator's license is \$120; however, the department is assessing a fee of \$75.

Subsections (a)(1) through (a)(5) are repealed because the department will no longer be assessing fees based on a sliding scale. Operator licenses are renewed annually and in conjunction with the expiration of the owner's license.

§345.22. Changes to Operator License.

Subsection (a) is amended to delete the license modification fee of \$15. The cost to the department to process a modified operator license is \$110; however, the department is assessing a fee of \$50. Although the fee of \$50 does not cover the processing costs, the department believes it will begin to see efficiencies when the TVS program is operative and becomes streamlined.

Subsection (b)(3) and (b)(3)(A) through (b)(3)(D) are amended to repeal provisions related to the inaccurate fee and the sliding fee scale. Operator licenses are renewed at the same time the associated owner's license is renewed.

§345.23. Renewal of Instructor License.

Subsection (a)(1) is amended to repeal the instructor license renewal fee currently identified as \$30. The cost to the department to process a renewal of an instructor license is \$147; however, the department is assessing a renewal fee of \$50. The department

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believes streamlining the TVS licensure process will result in the \$50 fee being sufficient to properly fund the renewal transactions.

§345.26. Changes to Instructor Licenses.

Subsection (a), (b), and (c) are amended to repeal the instructor license modification fee currently identified as \$15. The actual cost to the department to modify an instructor license is \$50; however, the actual fee assessment is \$25.